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FM AMEMBASSY DAMASCUS  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5821  
INFO RUEHEE/ARAB LEAGUE COLLECTIVE IMMEDIATE  
RUEHAK/AMEMBASSY ANKARA IMMEDIATE 4119  
RUEHNC/AMEMBASSY NICOSIA IMMEDIATE 6509  
RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 0600  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RHMFISS/HQ USCENTCOM MACDILL AFB FL IMMEDIATE  
RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 0040  
RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE  
RHEHNSC/NSC WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 03 DAMASCUS 006224

SIPDIS

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NEA/ELA  
NSC FOR ABRAMS/DORAN  
TREASURY FOR GLASER/SZUBIN/LEBENSON  
EB/ESC/TFS FOR SALOOM

E.O. 12958: DECL: 11/28/2015  
TAGS: [ECON](#) [EINV](#) [EFIN](#) [PTER](#) [KTFN](#) [SY](#)  
SUBJECT: REGIME INSIDERS ALREADY MOVED TO PROTECT ASSETS  
FROM SANCTIONS

REF: A. SECSTATE 214622

[1](#)B. DMS 04819

[1](#)C. DMS 06131

Classified By: CDA Stephen Seche for reasons 1.5 b/d

[1](#)1. (C) Summary: Contacts report that those who may be named in the UNIIIC report on December 15 already have protected their assets in anticipation of new sanctions. Regime insiders have spread their assets both at home and abroad under the names of family members, and avoid moving money through banking channels by smuggling cash across borders and using the major Syrian moneychangers/hawaladars for most of their transactions. However, the regime insiders' access to continued wealth depends on a cabal of businessmen who act as the financiers of the regime. Contacts contend that most Syrians would support targeted financial sanctions against these businessmen as well as those implicated in Hariri's assassination, and that the "name and shame" effect of the sanctions would make it more difficult for these individuals to maintain their influence and hold on power. End summary.

[1](#)2. (C) Most of the individuals who may be implicated in Detlev Mehlis' December 15 report to the UNSC on the assassination of former Lebanese Prime Minister Hariri already have taken efforts to protect their assets (ref A). Contacts offer as evidence that there has been little to no visible effect on the financial activities of those eighteen Syrian entities already designated under U.S. Executive Order (EO) or UNSCR. Contacts report that former Interior Minister Ghazi Kanaan, who allegedly committed suicide on October 13, for example, had closed correspondent accounts in U.S. banks and hidden assets in accounts under the names of family members years before he was named in EO 13338 and included on the Department of Treasury's Excluded Parties List (EPL). Kanaan's disdain for sanctions was highlighted in the local press, which quoted him as saying, "If they find a button there, let them freeze it." However, business contacts in the import and banking sectors said that despite Kanaan's disdain, the sanctions had utility by "naming and shaming" Kanaan and making him appear more vulnerable.

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Avoiding Sanctions: It's a Family Affair  
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13. (C) As the case of Kanaan suggests, it will be difficult to shut down the financial activities of regime insiders altogether. Contacts among the business community state that it is common practice for Syrians to hide their wealth under the names of family members to shield it from both domestic and international scrutiny. According to one contact, regime insiders routinely place their assets under the names of their children over the age of 18. They are less likely to place them under their wives' names, since in the Syrian context the wife and husband are viewed as the same entity. They also hide assets under the names of extended family members, but rarely beyond the relationship of cousin since the asset holder must have a high degree of trust in and control over the recipient of the assets. One contact told Econoff that there is a legal instrument called "wariqa dud" (opposite paper), which allows the owner of an asset to place it in the name of another person and reclaim it at a future time. This allegedly is a widespread practice, and relatives get paid a small sum to act as a front for the owner of the property. The contact stated that it is easy to tell when this arrangement has been made because people without great wealth suddenly begin to live above their means.

14. (C) In addition, contacts report that regime insiders already have transferred assets to foreign accounts in Europe and the Gulf, and therefore will not need to make transactions that can be flagged and blocked by financial institutions. Contacts specifically have mentioned Cyprus, Turkey and Dubai as primary destinations. While Lebanon used to be the financial market of choice for Syrians due to its proximity and strict bank secrecy laws (ref B), there is evidence that some Syrians have moved their assets from

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Lebanese banks fearing a lack of security. Nabil Hchaime, General Manager of Banque BEMO Saudi Fransi, one of four private banks in Syria, reported recently that his bank is receiving a significant number of new cash accounts wired in from overseas, and that he began receiving 40-50 electronic transfers per day from Syrians who previously deposited their money in Lebanon after the Lebanese government waived bank secrecy in August on the accounts of those suspected of involvement in the Hariri assassination.

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Avoiding Sanctions: Smuggling and Hawalas  
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15. (C) In spite of the fact that regime insiders have pre-positioned most of their assets, contacts state that future movement of money most likely will occur outside of formal banking channels, unimpeded by financial sanctions. Contacts report that regime insiders will continue to send money denominated in Syrian Pounds (SYP) via cash smuggling routes across the Lebanese and Jordanian borders to get hard currency, and then move it to bank accounts in Dubai, which one contact described as "a great washing machine" for regime money. One contact described a smuggling route between Lattakia and Tartous overland to Tripoli, Lebanon, where he said that regime elements have connections among Tripoli's Alawite community. The contact stated that security agents posing as taxi drivers often are the mules, and that the border guards are bribed. Mazen Tabaa, Chairman of Western Union in Syria and a former moneychanger/hawaladar, stated that this and other smuggling routes are well established and serve a large market for SYP in Lebanon, Jordan and the Gulf among Syrian expatriates, who have been paid in foreign currency but need to remit their earnings in SYP, and among Gulf tourists who flock to Syria in the summer months.

16. (C) Tabaa added that regime insiders also exchange and move their money overseas through domestic agents, specifically the large moneychangers and hawaladars that are well connected to the regime. One of the biggest of the Syrian moneychangers, who services both the general

population and regime insiders, goes by the name of Sahloul, aka Abu Shafiq. According to Tabaa, he demonstrated his influence recently by providing the SARG with the names of his black market competitors who then were rounded up and imprisoned in one of the government's latest attempts to support the pound by choking off the black market (ref C). Sahloul's operation was not affected. Contacts report that Sahloul maintains a global enterprise with partners and offices in Iraq, Dubai and throughout the Gulf. Basel al Haffi, member of an influential Sunni family and self-proclaimed close personal friend of Sahloul, reported that Asad-family cousin Rami Mahklouf uses the top managers of his legitimate business enterprises, mentioning specifically Nadir Kal'i, Director General of Syriatel, to move \$1-2 million a day- figures that Post has heard from other sources- through Sahloul's moneychanging house to accounts in Dubai.

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The Financiers  
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17. (C) Contacts imply that while the regime insiders already have taken steps to hide their assets and avoid using formal financial channels to make transactions, they owe their continuing wealth to the actions of a small cabal of businessmen who act as the financiers of the regime. It is a generally accepted fact in Damascus that all major business deals have to run through this cabal of regime businessmen, which includes Rami Mahklouf and Mohammad Hamsho, two of its most oft-mentioned members. Highlighting the central role that this group plays in the economy of Syria, al Haffi reported that Mahklouf and Hamsho were made a part of a team of businessmen traveling later this week with Deputy Prime Minister for Economic Affairs Abdullah Dardari on an official delegation to Malaysia to encourage foreign direct investment. (Note: Despite the fact that Mahklouf has made a

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public show of shifting his base of operations to Dubai and intimating a split with the regime, Syrians in general beleive that Mahklouf continues to play the role of premier financier. End note.)

18. (C) These businessmen enjoy massive influence in most sectors of the Syrian economy and in turn depend on the regime for continued economic dominance. Mahklouf, who is a maternal cousin of President Asad, manages a financial empire that includes Syriatel and Areeba 94- Syria's two cellular companies- the chain of Ramak duty free stores at Syria's borders and ports, powerplants and a major interest in Byblos Bank, one of Syria's four private banks. Hamsho, who is a member of parliament and whose company, The Hamsho Group, is involved in construction, import/export, entertainment, marketing, cement, and telecommunications, is Kurdish and from the Midani suburb of Damascus. Business leaders from among Damascus' wealthy Sunni families claim that Hamsho does not have extensive business experience in business and that he derived his wealth and influence purely from his connections to the regime. According to Tabaa, Hamsho has provided most of the financial backing for the almost daily protests around the U.S. Embassy. Another member of this group, Dhu al Himma as Shaleesh, who is a paternal cousin of the President and chief of Presidential security, owns SES International, which is active in the construction and automobile import sectors. SES International is one of the Syrian entities designated under Iraqi Sanctions Regulations on Treasury's EPL and by UNSCR, but contacts report that it continues to do business unabated.

19. (C) Comment: Contacts uniformly agree that most Syrians would support targeted financial sanctions against those who are implicated in the UNIIIC investigation. They contend that a policy of targeted sanctions would further isolate and weaken culpable regime officials while demonstrating that the USG distinguishes between these individuals and the bulk of

the Syrian population, who have no connection to the government and little sympathy for it. Syrians also would support sanctions against the financiers of the regime, whom the vast majority identifies as obstacles to economic reform and development. It is Post's understanding that the language of EO 13338 is sufficiently broad to extend beyond designated SARG officials to cover the regime's financiers and those who are material contributors to SARG policies towards Iraq, Lebanon, WMD and Palestinian rejectionist groups. Post believes that designating the financiers would deprive the regime of critical financial support, and send a powerful political message of zero tolerance for the corruption that has fueled this regime since its inception and siphoned the wealth of a nation into the hands of a few.

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